

Mid-Week Markets Recap: June 3, 2026

Key Takeaways

- Investors continue to monitor U.S.-Iran resolution talks as renewed Middle East tensions slow negotiations
 - Strong AI infrastructure demand boosts confidence in HPE following a significant earnings beat
 - Broadcom shares decline sharply as investors react negatively to its AI growth outlook
 - Alphabet's AI financing plans spark dilution concerns and weigh on investor sentiment
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Resolution Talks between the U.S. and Iran Face another Hurdle

“Tensions within the Middle East escalate once again, highlighting another obstacle for a potential resolution”

Prior to the first trading day of the month, reports surfaced that strikes had occurred between the U.S. and Iran over the weekend. Alongside this, tensions within Lebanon escalated as Israeli forces advanced further in their fight against Hezbollah. Ultimately, Israeli forces would come to seize Lebanon's Beaufort castle. These developments added further complications to resolution efforts between the U.S. and Iran, signaling to markets that an end is still not near.

Oil prices advanced to start the day as markets digested these developments. Both WTI and Brent crude gained roughly 5% in early trading. Negotiations have continued to slow down as time progresses, with both sides failing to find common ground. Despite the slowdown in negotiations, risk appetite has remained intact. Enthusiasm for resilient corporate earnings and hardware names has overshadowed slowdowns in resolution talks and extended market gains. At the same time, market pricing continues to suggest that investors expect negotiations to eventually produce a resolution, despite recent setbacks. Whether or not this materializes remains the critical question, but for now it's not as crucial as it was before. A structural shift in negotiations, however, would warrant a shift in investor attention and potentially impact the current risk appetite seen today.

AI Infrastructure Demand Fuels HPE Earnings Beat

“Heightened demand for artificial intelligence infrastructure reinforcing investor confidence in HPE”

On Monday, after the bell, HPE reported its second-quarter earnings. For the quarter, HPE reported revenue of \$10.7b, above analyst estimates of \$9.8b. Adjusted EPS came in at \$0.79 per share, above analyst estimates of \$0.53 per share. HPE reports revenue for three different segments, with the two largest being the Cloud & AI segment and the Networking segment. The Cloud & AI segment brought in revenue of \$7.7b, up 23% from the year prior. The Networking segment was up 148% on a YoY basis, bringing in revenue of \$2.7b.

Strong demand for AI infrastructure continues to benefit hardware providers such as HPE, and the company's second-quarter results provided further evidence of that trend.

Alongside its operating results, HPE also raised its outlook for the year. It now expects FY26 revenue to grow by 29% to 33%, above their previous outlook of 17% to 22%. HPE even provided guidance for FY27, where it expects revenue growth to be between 8% to 12%. In its previous quarter's earnings release, it did not provide FY27 guidance. Prior to its second-quarter earnings, HPE was riding a wave of investor confidence in hardware / infrastructure names. Like Dell, it had an exceptionally strong month in May, with shares advancing around 50%. Sentiment around the name was already positive, and this past quarter further amplified it. In their premarket trading session, shares were up 30% the following day, signaling market confidence in the name. The current theme in markets continues to remain hardware names, and investors involved with them have been rewarded handsomely. With negotiations between the U.S. and Iran also slowly advancing, investor risk appetite continues to remain elevated and arguably near its highest level for the year.

Broadcom Shares Fall Nearly 12% After its Q2 Earnings Release

“Financials slightly beat expectations, but AI outlook fails to impress investors”

On Wednesday, after the bell, Broadcom reported its highly anticipated Q2 earnings. The stock entered the announcement at all-time highs, having rallied for five consecutive trading sessions and closing at a record high of \$495 earlier in the day.

In the second quarter, Broadcom reported revenue of \$22.19 billion, slightly above analyst estimates of \$22.13 billion. Adjusted earnings per share came in \$2.44 per share, also slightly above analyst estimates of \$2.39 per share. What prompted the decline in shares wasn't the financials, rather, it was the outlook provided by management.

For the following quarter, Broadcom expects revenue of \$29.4 billion, slightly above estimates of \$28.61 billion. AI chip sales were forecast at \$16 billion for the quarter, below analyst estimates of \$17.2 billion. Alongside this, the company also did not raise its full-year semiconductor sales forecast. While fundamentals remain robust, the market is increasingly focused on future growth expectations, and as a result, even a modest setback to investor confidence can weigh heavily on the stock. As a result, investors reassessed Broadcom's near-term growth outlook, driving the sharp decline in shares during after-market trading.

Alphabet's AI Financing Plan Raises Dilution Concerns

“On Monday, Alphabet announced plans to raise \$80 billion through equity financing in its latest AI investments”

For the year, Alphabet's capital expenditures are expected to double that of 2025. The financing for this push has come through various ways, even through a century-bond offering for which demand was robust. However, the latest push for financing, which comes through equity issuance, saw a much starker response from investors.

\$30 billion of the \$80 billion is to come from both common stock and preferred stock. Another \$40 billion is reserved for the issuance of shares further down the line. The remaining \$10b comes through an investment stake by Berkshire Hathaway. With this plan, Alphabet is effectively diluting its shareholders as it aims to expand its AI capabilities. Investors took to this negatively, as shares declined around 4% following the announcement. The race to build out AI infrastructure has seen capital expenditures hit record levels for many hyperscalers, including names like Meta and Amazon. Yet, of those involved, Alphabet has been the only one to

use equity to finance its spending. Whether or not this spreads out across other tech names remains the question, but based on recent market sentiment, it'd be difficult to expect such a thing. Markets have been extremely critical towards spending so far, and whether or not it comes through equity or debt financing, the reaction remains the same.